

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SEC-01 USIA-15 FRB-01 TRSE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4979

UNCLAS LONDON 13648

DEPARTMENT PASS SEC

E.O. 11652: N/A

TAGS: EFIN, UK, OVIP (HILLS, RODERICK M.)

SUBJECT: LONDON VISIT OF CHAIRMAN HILLS

REF: (A) STATE 204345; (B) STATE 205333

1. CONTROL OFFICER FOR CHAIRMAN HILLS' LONDON VISIT WILL BE JAMES E. AMMERMAN, FINANCIAL ATTACHE (EMBASSY TELEPHONE EXTENSION 469). AMMERMAN, WHO IS AWAY FROM LONDON UNTIL SEPTEMBER 7, HAS EXTENSIVE CONTACT WITH UK SECURITIES FIRMS AND WILL BE ABLE TO PROVIDE ASSISTANCE TO CHAIRMAN HILLS DURING HIS VISIT. EMBASSY WILL BE HAPPY TO ASSIST IN MAKING HOTEL RESERVATIONS AND THE SCHEDULING OF APPOINTMENTS IF DESIRED.

2. WE HAVE NOT BEEN APPROACHED RECENTLY BY U.S. SECURITIES FIRMS CONCERNING MAJOR OPERATIONAL PROBLEMS IN THE U.K. HOWEVER, THE U.K. HAS EXTENSIVE EXCHANGE CONTROL REGULATIONS WHICH GOVERN THE ACTIVITIES OF BROKERAGE FIRMS. THE MOST ONEROUS OF THESE REQUIRE THAT PURCHASERS OF OVERSEAS SECURITIES BY U.K. RESIDENTS MUST BE MADE THROUGH THE INVESTMENT CURRENT MARKET RATHER THAN THROUGH THE NORMAL FOREIGN EXCHANGE MARKET (FOR THE CONVERSION OF STERLING TO FOREIGN CURRENCY). CURRENTLY THERE IS A PREMIUM OF ABOUT 45 PERCENT ATTACHED TO THE INVESTMENT CURRENCY MARKET BECAUSE OF THE FINITE SIZE OF THE POOL OF

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AVAILABLE FUNDS. THIS UNDOUBTEDLY LIMITS THE VOLUME OF

BUSINESS IN U.S. SECURITIES ALTHOUGH THE CONTROLS ARE DIRECTED AT DOMESTIC RESIDENTS RATHER THAN AT THE FIRMS THEMSELVES. GIVEN THE COMPLEXITY OF THE EXCHANGE CONTROL REGULATIONS, WE WOULD SUGGEST CONTACTING THE U.K. DESK OFFICER AT THE FEDERAL RESERVE BOARD FOR MORE DETAILS AND/OR A DISCUSSION OF THE SUBJECT AT THE EMBASSY WHEN MR. HILLS ARRIVES.

3. THE ONLY OTHER AREA OF RESTRICTION WHICH WE ARE IMMEDIATELY AWARE OF WHICH INHIBITS OPERATIONS OF U.S. FIRMS IS A REGULATION ON PUBLIC ADVERTISING IMPOSED BY THE LONDON STOCK EXCHANGE. SEVERAL U.S. FIRMS HAVE STRONGLY RESISTED THIS RESTRICTION AND HAVE NOT BECOME MEMBERS OF THE U.K. STOCK EXCHANGE IN PROTEST.

4. PLEASE ADVISE WHEN FIRM DATES OF TRAVEL HAVE BEEN DECIDED AND OF ANY ASSISTANCE EMBASSY MAY PROVIDE.

ARMSTRONG

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